



Econtech Findings on Ansett Levy (and over-collection of the Passenger Movement Charge)

Objective

To summarise the findings of the Econtech Report “Analysis of the Taxes and Assistance Impacting the Tourism Industry”. These findings focus on the adverse impact on the tourism industry of the Ansett levy and the over-collection component of the Passenger Movement Charge (PMC).

Background to Econtech Report

The National Tourism Alliance (NTA) represents over 40,000 tourism operators. Its members include National industry associations and the State Tourism Industry Councils.

The NTA engaged Econtech and KPMG to review the impact of the current Commonwealth taxes and assistance on the tourism industry.

The Report has identified 2 key inappropriate/unjustified taxes on the tourism industry, amounting to \$251m on an annual basis, comprising:

- Ansett levy (\$171m in 2002); and
- the over-collection under the Passenger Movement Charge (\$80m in 1999/00).

Impacts on price and volume of air travel

The impact of these inappropriate/unjustified taxes, on an annual basis, on the price and volume of air travel, is as follows:

- 8.1% increase in the price of air travel by Australians;
- 2.8% increase in the price of air travel by foreign travellers;
- 5.9% reduction in air travel volumes by Australians;
- 3.2% reduction in air travel volumes by foreign travellers.

Impact on spending by foreign travellers

The reduced travel by foreign travellers results in a 2.1% reduction in real spending by foreign travellers in Australia. This amounts to a reduction in spending by foreign travellers of about \$120m.



Impacts on the tourism industry

The increased prices of travel resulting from the Ansett levy and the over-collection of the PMC result in the following impacts on tourism products:

- \$247m reduction in production of air transport services (this is a 1.9% reduction in output);
- \$18m reduction in production of accommodation services (this is a 0.4% reduction);
- \$8.7m reduction in production of cafes and restaurants (ie 0.1% reduction);
- \$20.6m reduction in production of services to transport (ie 0.4% reduction).

This is offset, to some extent, by an increase of \$57.1m in production in water, bus and rail transport (ie a 1.1% increase in output).

Future action

The NTA believes that the findings of the Econtech Report are relevant to any future Government decision regarding how surplus Ansett levy collections (if any) are to be disbursed “to the community, and in particular, to the tourism industry”.

The NTA is seeking an opportunity to provide a detailed briefing on the findings of the Econtech report to key policy makers and ministerial advisers in the near future.

Conclusion

The NTA supports the immediate suspension of the Ansett levy (pending resolution of the relevant legal proceedings in question).

The NTA recommends that the Government consult with the tourism industry regarding how surplus Ansett levy collections (if any) are to be disbursed.

31 March 2003

NTA03-FD-W06-EcontechFindings-2pgs-31Mar-CTB